

Indiana Housing and Community Development Authority

Underwriting Presentation

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Underwriting Guidelines

- Credit Underwriting is the lenders responsibility (with the exception of correspondent lenders sponsored by USBHM)
- U.S. Bank Home Mortgage (Master Servicer) does not re-underwrite your loans.
- All loans are subject to internal and agency audits.
- Underwriters are required to...
 - Make sound credit decisions
 - Assure data integrity
 - Include all necessary documents in support of the underwriting decision

Underwriting Guidelines

- All loans should be underwritten in compliance with the most CURRENT underwriting guidelines for FHA, VA, RD, Fannie Mae and Freddie Mac.
- The loan file must comply with bond program guidelines for
 - Income limits
 - Sales price limits
 - Property types,
 - Locations
 - Program parameters

Secondary Financing

Down Payment Assistance Programs (DPA)

Lender is responsible for reviewing and approving Non-HFA DPA programs

- The funding source for the DPA program must be stated in the source of funds section of the 1003 and stated on the HUD-1
- DPA program must meet FHA, VA, Fannie Mae, or Freddie Mac requirements
- Write the loan product, down payment source, and amount on the 1008 (loan transmittal), or mortgage credit analysis worksheet (MCAW)

Underwriting Tips

- DU recommendations must be documented in the loan file
- Remember to follow the Bond Program guidelines
- Always enter the appropriate Special Feature Code for Fannie Mae loans on the Fannie Mae Transmittal Summary – 1008
- Always enter the appropriate Special Characteristic Code for Freddie Mac Loans

AUTOMATED UNDERWRITING SYSTEMS

- The following automated systems are approved for use in the bond programs.
 - Conventional Loan Types
 - Fannie Mae loans (DU)
 - Freddie Mac (LP)
 - Government Loan Types
 - FHA & VA loans (DU or LP)
- Manual underwriting is permitted on FNMA loans only, but full documentation is required.

*Other lender customized automated underwriting systems
are not acceptable for loan approval*

Government-Eligible Loan Products

- FHA
- Manufactured
- VA
- Rural Housing

FHA available products

203b FHA

234c Condo

203k Streamline

FHA Loan for Veterans

FHA Homeownership Incentive (HUD REO)

Existing or new homes

Manufactured housing

FHA Homeownership Incentive

HUD Owned Homes

- Purchase a home with little downpayment
 - Obtain \$\$\$ for sales allowance
(closing cost, repairs, pay down principal)
 - Incentives \$\$\$ paying broker bonus
 - Can use other approved FHA DPA
 - No cash back to borrower
 - List of homes available online
- *Each incentive may vary according to state.

MANUFACTURED HOUSING

Government Loans

- Manufactured Homes are **ONLY** permitted in the program using FHA, VA, and Rural Housing Program Guidelines.
- Manufactured homes must meet specific size and structural requirements, remain permanently affixed to a foundation, and be taxed as real estate.

Conventional Loans:

- Manufactured homes are not currently eligible for Fannie Mae or Freddie Mac financing.

Section 8 Loans

- Lenders may originate loans for borrowers who have obtained a Section 8 Homeownership Voucher.
- Please follow the most recent FHA and Fannie Mae guidelines as it relates to income credit for the subsidy.
- The Lender must show the Section 8 Voucher Assistance Program on the 1008 and the Mortgage Credit Analysis Worksheet.

Fannie Mae – Eligible Loans

Fannie Mae Conventional Products

- MyCommunityMortgage = MCM
- Loan level price adjustment (LLPA) for MCM loans under IHCD A is 56.25%.

NOTE: Fannie Mae Standard products available per Fannie Mae, but there may be additional (LLPAs) assessed. Lenders should run all loans through DU as MCM.

Eligible Loans permitted

Fannie Mae

- Approved-Eligible
- EA Level I-II-III Eligible
- Standard Loan Level Price Adjustments (LLPAs) *do not apply* for MCM, on these approved levels
- Run loans through DU as MCM to avoid additional LLPAs
- USBank / IHCDCA will post a list of FNMA waivers received which are allowable under the IHCDCA program
- Fannie Mae no longer has restrictions on Declining Markets
- 100% financing permitted, which meet certain minimum credit standards*

Adverse Market Delivery Fee

The Adverse Market Delivery Fee still applies
Adverse Market Fee = .25%

- *This fee must be collected by the lender
- *.25% Adverse Fee will be netted at funding by USB
- *Must be shown on the HUD-1
- *Negotiable between buyer/seller

Freddie Mac – Eligible Loan Products

Freddie Mac: Must be ran as HP

- “Home Possible”
 - Home Possible 97
 - Home Possible 100
 - Home Possible Neighborhood Solutions 97
 - Home Possible Neighborhood Solutions 100
- Freddie Mac Standard products are also subject to (LLPA). Lenders should run through as HP first.
- Risk class must = **ACCEPT**

Appraisals

Fannie Mae

Full appraisal reports required if...

- A manual underwrite has been performed
- You are a correspondent lender of U S Bank

Freddie Mac

Full appraisal reports are required on
Freddie Mac Home Possible
loans evaluated by LP

Homebuyer Education

Conventional Mortgage Loans – All Borrowers who sign the note must attend an approved homebuyer education course, per bond program guidelines.

Early Delinquency Counseling is provided by U S Bank Home Mortgage & acknowledged by the borrowers in the Authorization for Counseling notice.

Borrowers must Sign the “Fannie Mae’s Borrower’s Authorization for Counseling” form located in the Fannie Selling Guide or at efanniemae.com (**Reference VIII, Chapter 1, Exhibit 1**) Form can also be used on Freddie Mac loans. Lenders must include in the Mortgage File.

Special Characteristic Codes (SCC)

Freddie Mac Loans

▪ Home Possible 97	G00
▪ Home Possible Neighborhood Solution 97	G01
▪ Home Possible 100	G02
▪ Home Possible Neighborhood Solution 100	G03
▪ Affordable Housing Initiative Mortgage	071
▪ MRB Loans (ALL) (Does not show, need to add)	545
▪ Transfer of Servicing – restricted (ALL)	510
▪ Affordable Housing Initiative Mortgage w/TLTV greater than 100%	535
▪ Mortgage with Affordable Seconds	583

**Other SCC's may apply as noted on LP Findings*

Special Feature Codes

▪MCM 97 – 1 Unit Property with LTVs \leq 97%	460
▪MCM100 – 1 Unit Property with LTVs > 97% up to 100%	480
▪MCM Community Solutions (Manual Underwrite)	481
▪MCM Community HomeChoice Option (DU Approval)	325
▪MCM Community Home Choice Option (Manual Underwrite)	222
▪Community Second Mortgages	118
▪Bond Loans	088
▪Smart Commute	324
▪Section 8	445

*** Special Feature Codes must be listed on the Fannie Mae1008 and USBHM Loan Delivery Checklist**

Special Feature Codes

▪MCM Financed single-premium MI, LTVs \leq 95%	281
▪MCM Financed single-premium MI, LTVs $>$ 95% and \leq 100%	574
▪MCM 2-3-4 Unit Properties	519
▪MCM underwritten with DU 7.0 or greater	612

*** Special Feature Codes must be listed on the Fannie Mae1008 and USBHM Loan Delivery Checklist**

Underwriting References

- Fannie Mae References
 - Fannie Mae Selling Guide, Chapter X Section 304 – Community Lending
 - Fannie Mae Guide to Desktop Underwriting
 - Fannie Mae website www.efanniemae.com
- FHA References
 - Guide – 4155.1 rev 5
 - FHA website www.hud.gov
- Other References
 - Allregs: www.allregs.com
 - VA: www.homeloans.va.gov
 - USDA-RD: www.rurdev.usda.gov

FHA Assistance !

- **Search** answers.hud.gov. FHA online knowledge base helps you find answers 24/7. (HUD staff can use the knowledge base here: hud.custhelp.com)
- **Email** hud@custhelp.com We're open 24/7
- **Phone** Monday-Friday, 8 am to 8 pm ET
(800) CALLFHA = (800) 225-5342

Underwriting References

- Freddie Mac References

- Seller Servicer Guide, Chapter A34 (HP only)
- Learning Center: www.FreddieMac.com/learn
- Website: www.FreddieMac.com
- Seller Servicer Guide, Chapter 37: “Underwriting the Borrower”

Details for Underwriters:

<http://www.freddiemac.com/singlefamily/pdf/pub579.pdf>

Manual UW - Fannie Mae Only

Manual Underwriting MCM loans
guidelines for loans not approved in DU:

Maximum LTV / CLTV & Minimum Credit Scores

- 97% / 105% \geq 660 FICO
- 100% / 105% \geq 680 FICO
- 95% / 105% = Non-traditional credit

Max CLTV remains at 105% as long as the secondary financing is a Community Second Loan.

The Maximum underwriting ratio shall be 45% for the total-expense-to-income ratio (single qualifying ratio)

Manual underwriting will be required to override DU messages when LTV exceeds 97%

Mortgage Insurance

80.01-85%	LTV: 6%	
85.01-90%	LTV: 12%	
90.01-95%	LTV: 16%	
95.01-97%	LTV: 18%	
97.01-100%	LTV: 20%	with involuntary unemployment insurance
	28%	without involuntary unemployment insurance

- Single premium financed mortgage insurance (MI) is permitted on LTVs $\leq 97\%$.
- Total LTV including financed MI may not exceed 100%.
- Not all MI Companies have the same policies, shop around.
- Code loans when ordering MI certificate.

Reminders

- **Manual Underwriting** – Permitted
- **Adverse Market Fee** - .25%
- **Maximum CLTV** - 105% with approved community seconds
- **Reserves** - None required
- **Qualifying Ratios** - Per Desktop Underwriter or Single Ratio up to 45% (manual underwrite)
- **Interested Party Contributions** - Standard MCM limits apply, maximum of 3% for LTV greater than 90%
- **Involuntary Unemployment Insurance** - Required on all loans greater than 97% LTV or mortgage insurance = 28%
- **Home Buyer Education** - Required for all borrowers “per IHCD guidelines”

Indiana Housing Finance Agency & Fannie Mae

Effective Date	6-1-08
Eligible MCM Loans	Approved Eligible / EAI / EAI / EAI eligible with DU 7.0. Approved Ineligible may appear on loans with an LTV > 97%, which is acceptable through an OHFA waiver.
LLPAs	MCM loans (DU 7.0) will have no loan level Price Adjustments (LLPA). *100% of LLPA will apply on standard (non MCM) products where required, such as Flex 97 & 100, or lender funded seconds, etc.
Loan Level Pricing Adjustments	
Adverse Market Delivery Charge	Adverse Market Fee still applies - currently 0.25%
Eligible Products	Fannie Mae 30-year fixed-rate fully amortizing conventional products.
Eligible Occupancy	Owner-occupied primary residences only.
Maximum LTV/CLTV	100% / 105%
Subordinate Financing	Permitted with a maximum combined loan to value (CLTV) ratio of 105% for eligible Community Second mortgages.
Eligible Property Types	1-4 unit detached, condos and planned unit developments.
Income Requirements	➤ HFA Mortgage Revenue Bond Programs established by the Housing Finance Agency.
Mortgage Insurance	<ul style="list-style-type: none"> ➤ 80.01-85% LTV: 6% ➤ 85.01-90% LTV: 12% ➤ 90.01-95% LTV: 16% ➤ 95.01-97% LTV: 18% ➤ 97.01-100% LTV: 20% with involuntary unemployment insurance ➤ 97.01-100% LTV: 28% without involuntary unemployment insurance <p>Single premium financed MI permitted on LTVs ≤ 97%. Total LTV including financed MI may not exceed 100%.</p>
Manual Underwriting	<p>Permitted – Single ratio up to 45%</p> <ul style="list-style-type: none"> ➤ 97% / 105% ≥ 660 FICO ➤ 100% / 105% ≥ 680 FICO ➤ 95% / 100% ≥ 700 FICO (3-4 units)
Non Traditional UW	95% LTV / 105% CLTV
Qualifying Ratios	Per Desktop Underwriter
Interested Party Contributions	Standard MCM limits apply, maximum 3% for LTV greater than 90%
Home Buyer Education	Required for all borrowers. Standards determined by OHFA.
Reserves	None required
Additional Variance	Non-occupant co-signers are allowed up to a maximum of 90% LTV and 105% CLTV. Loans may be underwritten manually or in DU. In either case a separate debt- to- income ratio of 55% based on the occupant borrower's income must also be met.

Questions

For questions related to Underwriting:

Contact USB

Help Desk at 1-800-562-5165 or

e-mail us at:

bedford-bondunderwriting@usbank.com